

Value Chain Analysis (VCA)

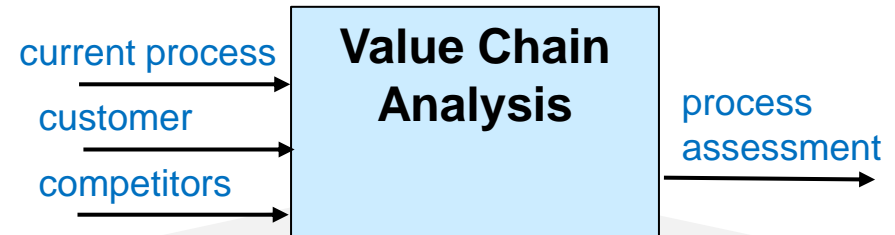
Problem

How to identify customer care-about?

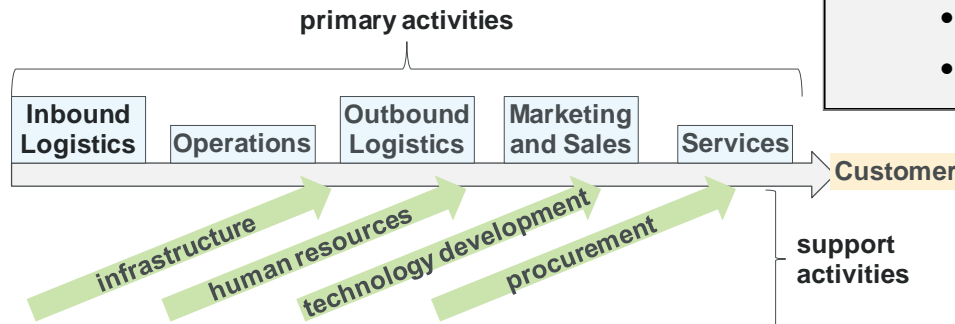
Difficulty

Work with an SME

- A **Value Chain Analysis (VCA)** shows the business activities and processes involved in creating a product or performing a service.
- A value chain has **primary activities** and **support activities**:
 - **Primary activities** – activities which directly add value to the customer
 - **Support activities** – activities that support primary activities
- A value chain analysis can lead to
 - reduced cost
 - products better aligned with your customer

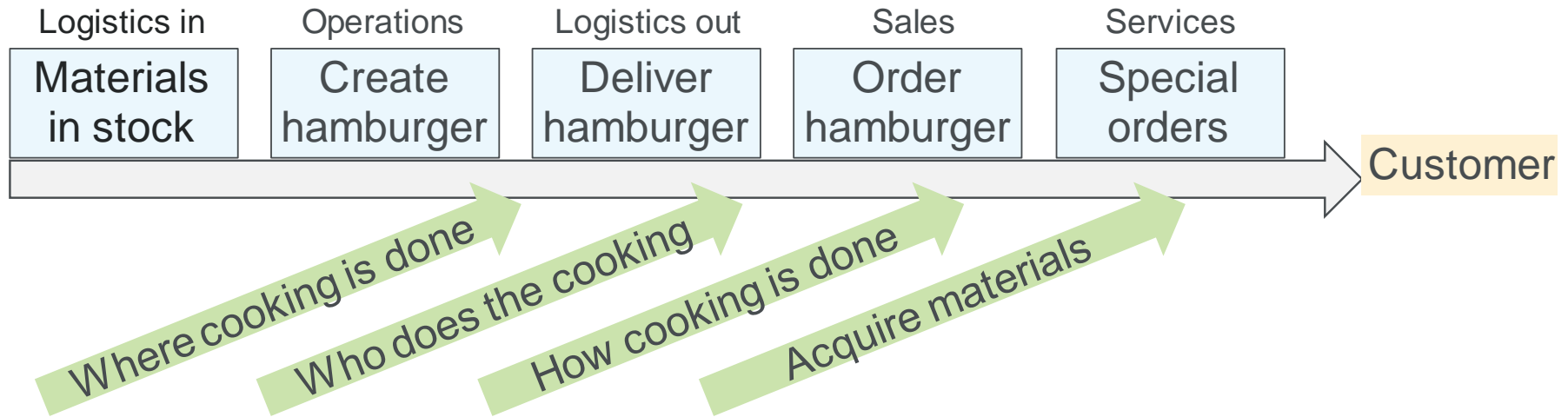


1. Assess your product's activities, such as:
 - **Primary activities:** Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, and Services.
 - **Support activities:** Infrastructure, Human Resources, Procurement, and Technology.
2. Analyze the value and cost of these activities.
3. Model your competitors' value chains.
4. Model your customer's assessment of value.
5. For your activities, determine where you
 - can reduce costs or improve efficiency
 - can create a competitive advantage



Value Chain Analysis – Example

– Buying a hamburger at a fast food restaurant



1. The customer understands, and values, the primary activities.
2. The value chain identifies potential opportunities. A customer may pay a premium for
 - better materials (e.g., fresh ingredients)
 - better production (e.g., faster product delivery)
 - better delivery (e.g., on-site or home delivery)
 - an easier ordering process (e.g., phone app)
 - the ability to have special orders.
3. The customer (likely) does not care about where, how, or by whom the cooking is done, nor how the needed materials are acquired.
4. From the Value Chain, we can identify:
 1. improvements (make these)
 2. costly processes (reduce these)

Value Chain Analysis – Notes

Slide 1

1. The value chain concept was invented by Harvard Business School Professor Michael Porter in his book *The Competitive Advantage: Creating and Sustaining Superior Performance*.
2. There are things that a customer cares about, and things that a customer does not care about. The goal is to
 - add value to the things that the customer cares about
 - Reduce the cost of things the customer does not care about

Slide 2

1. Think of this as being all about the customer's "hamburger experience."
2. When buying a hamburger, a customer cares about the things on the top line – these add value to the hamburger experience.
3. The customer recognizes that the support activities need to be performed. But does not care about the how or where they are done – they do not influence the hamburger experience.